HOUSING MARKET OUTLOOK

Ottawa[1]

Canada Mortgage and Housing Corporation

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Resale Market

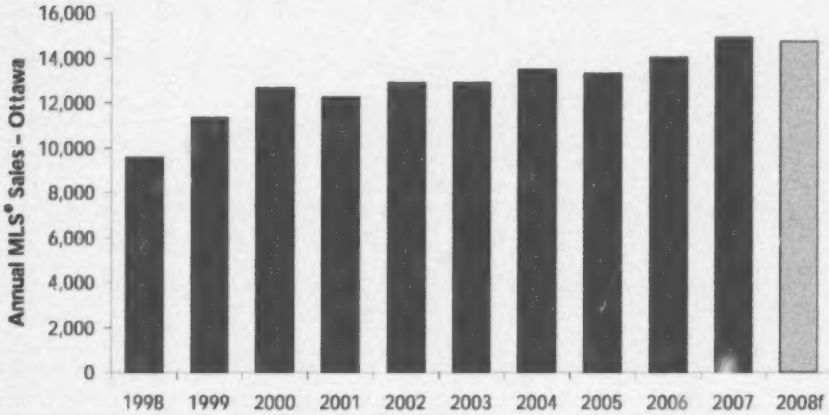
Market Remains Strong

In 2007, existing home sales in the Ottawa Census Metropolitan Area (CMA) will set another record, with 14,900 transactions. For 2008, it is anticipated that the constant increase in home prices observed in recent years will raise mortgage carrying costs, thereby dampening demand and resulting in a slight decrease in sales.

In 2008, Multiple Listing Service (MLS)® transactions will reach 14,750 units, down about 1 per cent from the number forecast for 2007. The strong growth in sales in 2007 can be largely attributed to the good performance of the job market, relatively low mortgage rates, and more home financing options that continue to encourage many households to take the plunge into homeownership.

Figure 1

Resale Market Will Remain at High Level



Sources: CREA, Ottawa Real Estate Board, CMHC forecasts

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[1] Ontario part of Ottawa-Gatineau CMA

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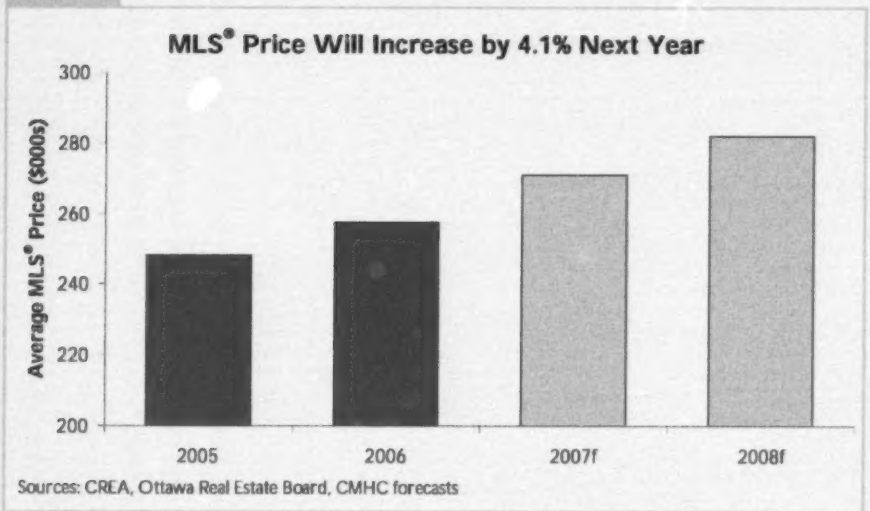
Figure 2



Sources: CREA, Ottawa Real Estate Board, CMHC forecasts

New Home Market

In 2007, residential construction in Ottawa will edge higher, and this trend will continue in 2008. Even though high-density construction will continue to account for most of new housing activity, 2007 will be notable for the surprising strength of the single-detached home segment. In all, 6,125 starts are anticipated this year and 6,225 more, in 2008. Multi-family homes will account for a growing share of starts.

New Listings Not Sufficient to Meet Steady Demand

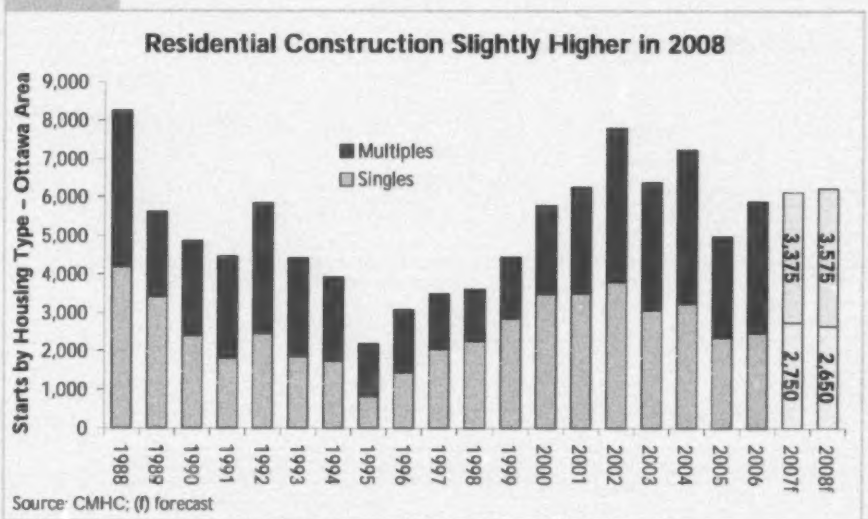
After reaching a peak at the end of 2005, active listings have been on a downward trend since the beginning of 2007. Given that demand for existing homes remains steady and that sales are on the rise, the decline in listings means the market is tightening and becoming more favourable to sellers again after having been close to balanced in 2006. The sales-to-new listings[1] ratio will be around 70 per cent this year and 65 per cent in 2008. Consequently, the average price in the resale market will increase about 5.3 per cent to $271,000. In 2008, the average MLS® price will rise by 4.1 per cent over 2007, to $282,000.

The housing market is robust in all areas of the Ottawa CMA. Nepean, Kanata-Stittsville and downtown will register the greatest increases in sales in 2007. The west end and downtown will stand out with above-average price hikes. The number of listings of homes for sale was somewhat more limited in these sectors, and buyer interest was high because properties were considered to be well-situated and close to services. These two areas will remain popular in 2008.

Single-Detached Houses Well Liked by Consumers

For the current year, single-detached housing starts will register a gain of 11 per cent over 2006. For 2008, even though demand will still be strong, it is expected that the rising prices will dampen demand. With the average price exceeding the $400,000 mark, the number of single-detached starts

Figure 3



Source: CMHC; (f) forecast

[1] The sales-to-new-listings ratio (SNLR) is an indicator of the supply-demand balance in a market as well as future price growth. In Ottawa a SNLR above 55 per cent is associated with a seller's market, in which prices are rising faster than the rate of inflation and homes sell relatively quickly. When the SNLR is between 35 and 55 per cent, the market is balanced and prices are rising in line with inflation.

will fall by 4 per cent. Given the relative scarcity of available properties on the resale market and rapidly rising prices, builders responded to the demand by launching more single-detached housing projects. With monthly mortgage payments becoming more affordable, sales for homes of this type have increased.

Condominiums: A Sought-After Product

New condominiums will remain popular in Ottawa, with this market segment expected to post a strong gain by the end of 2008. The trend to urban intensification observed in recent years will thus continue. Rising real estate prices and local government efforts to raise population densities contribute to this trend, and 2008 will be the best year for condominium construction in the Ottawa CMA.

The vacancy rate, which has been edging down in recent years in the Ottawa area, will encourage developers to start a few new rental housing projects in 2008. However, many consumers want to be homeowners and will consequently opt for a condominium. Condominium apartments are a housing type that meets the needs of both an aging population seeking to live near services and urban amenities and young professionals wishing to be close to downtown.

Townhouses also remain popular in Ottawa. Dwellings of this type appeal to many buyers, as they are less expensive than single-detached homes but more spacious than apartments. In fact, 1,750 townhouses will be started in 2007 and a record 1,850 more next year. Semi-detached home starts are expected to rise as well, reaching 375 units in 2008.

In the apartment segment, builders will lay foundations for 1,275 units this year, before picking up the pace to 1,350 starts next year.

Economic Overview

Population Growth is Moderate

According to the latest Census, the population of the Ottawa CMA increased by 5 per cent between 2001 and 2006. This is below the provincial average of 6.6 per cent for the same period. At the same time, the population grew by 8.5 per cent on the Quebec side of the Ottawa River.

Quebec's growing popularity over the years has been mainly attributable to home prices, on both the new and existing home markets, as well as the rental market. A comparison of average prices in the Ottawa and Gatineau resale markets reveals a difference of about $93,000 in 2006. That same year, a new single-detached house cost an average of $385,700 in Ottawa, or $173,350 more than on the Quebec side. For many households, these considerable price gaps outweigh the income tax advantages available in Ontario, so they opt for Gatineau when the time comes to decide on a place of residence.

Good News for Employment

Ottawa's economy was strong in 2006, but began to slow down after mid-year. The trend gradually turned

Figure 4

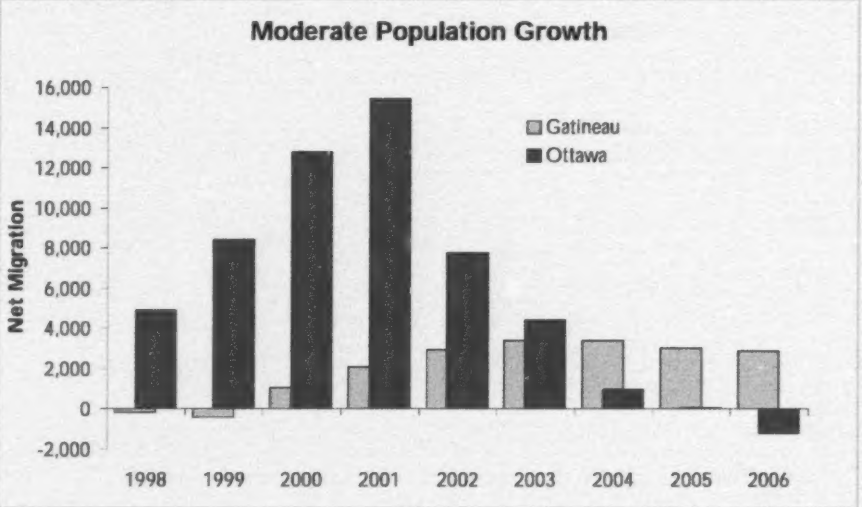
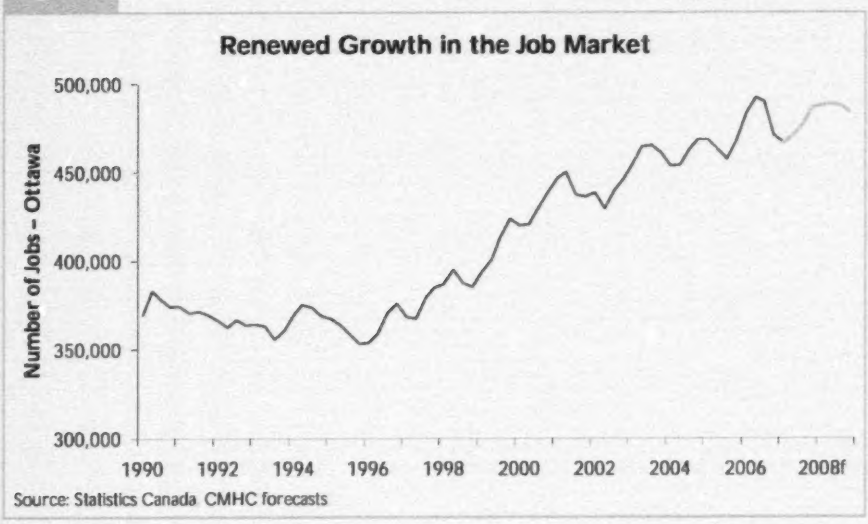


Figure 5



Source: Statistics Canada, CMHC forecasts

around, and employment in the area began to show renewed growth. This is good news, as employment is a key factor for the housing market. This year, employment will remain at a respectable level, despite an expected decrease of 0.8 per cent. It should be noted that the job market had posted an above-average performance in 2006, with a gain of 4.1 per cent.

Public administration accounts for a large part of employment in Ottawa. Close to one worker out of five is working in this sector. After a vigorous expansion from 1999 to 2004, employment in the public administration sector has since declined; however, we expect a modest recovery through 2008.

In 2008, thanks to the anticipated investments and vitality in the technology sector, the number of jobs should rise by 6 per cent and exceed the record level registered in the area in 2006.

Mortgage Rates to Stay Low

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Figure 6

Source: Statistics Canada; CMHC forecast

Forecast Summary Ottawa CMA Fall 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	13,457	13,300	14,003	14,900	6.4	14,750	-1.0
MLS® Average Price ($)	238,152	248,358	257,481	271,000	5.3	282,000	4.1
New Home Market							
Starts:							
Single-Detached	3,245	2,350	2,480	2,750	10.9	2,650	-3.6
Multiples	3,998	2,632	3,395	3,375	-0.6	3,575	5.9
Semi-Detached	348	300	383	350	-8.6	375	7.1
Row/Townhouse	2,450	1,578	1,793	1,750	-2.4	1,850	5.7
Apartments	1,200	754	1,219	1,275	4.6	1,350	5.9
Starts - Total	7,243	4,982	5,875	6,125	4.3	6,225	1.6
New Housing Price Index (% chg) (Ottawa-Gatineau)	6.6	4.6	3.1	3.4	-	3.3	-
Rental Market							
October Vacancy Rate (%)	3.9	3.3	2.3	2.1	-0.2	1.9	-0.2
Two-bedroom Average Rent (October) ($)	940	920	941	960	2	985	3
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	461,500	464,300	483,100	479,000	-0.8	485,000	1.3
Employment Growth (%)	0.0	0.6	4.0	-0.8	-	1.3	-
Unemployment rate (%)	6.6	6.6	5.1	5.0	-	5.3	-
Net Migration	949	68	-1,181	n/a	-	n/a	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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